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DB/P 16790

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PI-9776

18 December 1961

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Accounting Practices for Sensitive Projects

REFERENCE: Memorandum for DB/P from DD/S, dated 14 November 1961, subject as above

1. I, too, am concerned about the accounting controls for so-called "sensitive" projects and would, therefore, be glad to consider a procedural paper drafted on this subject. I do not think that any one general paper will suffice to cover the various accountings which are necessary for certain of the larger of these projects. It is not the simple type of sensitive project -- where a one-time payment is made to a person or group for a specific purpose -- that raises serious problems of adequate documentation. The difficulty arises in the sensitive project requiring the continuing use of funds, knowledge of which must be held very closely because of the persons or groups involved and over which we are able to exercise little or no control, especially to the extent of receiving detailed accountings. These larger and continuing projects will require individual procedural papers prepared with the help of the Comptroller and the Auditor. We are even now drafting such a paper for the large WE project in consultation with the Comptroller and the Auditor, and are finding that subsidiary procedural papers will be necessary in addition to the basic one.

2. I have the impression that one reason for some of the financial problems encountered up to now has been the lack of a strong Chief of Support in those divisions where operations are expanding rapidly. It is in these divisions that I feel we should place our strongest and most experienced personnel, and I would like to discuss this problem with you in the hope that you could arrange for some shifts in assignments which would bolster our support in the very areas where expenditures of the larger, sensitive type will occur most in the coming months.

(Signed) Richard M. Bissell, Jr.

RICHARD M. BISSELL, JR.  
Deputy Director  
(Plans)

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DD/S 61-3795

14 NOV 1981

MEMORANDUM FOR: Deputy Director (Plans)

SUBJECT: Accounting Practices for Sensitive Projects

REFERENCE: Memo dat 5 May 56 to DD/P, DD/S, Chairman, Project Review Committee from DCI, subj: "Blanket Waivers"

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1. For some time I have been concerned about the problem of adequate accounting controls for sensitive projects. A recent audit report of Project [REDACTED] illustrates this problem and convinces me that it is essential that we establish procedures which will ensure that the expenditure of funds, irrespective of the sensitivity of the undertaking, is supported by adequate documentation.

2. In 1954 the Inspector General, after surveying the Office of Comptroller, recommended the appointment of a joint committee by the DD/P and the DD/S to study the problem of projects given blanket waivers and to make appropriate recommendations to the Director. A committee was appointed and after studying the problem submitted recommendations to the Director, which were approved and subsequently embodied in a memorandum issued on 5 May 1956 to the DD/P, DD/S, and Chairman of the Project Review Committee. The essential points contained in this memorandum are quoted below:

"2. In the future if a project is submitted with a request for a blanket waiver, I will not consider it unless it contains one of the following:

"a. Concurrence of the Deputy Director (Support) together with a statement of the controls and support which he believes the elements under his jurisdiction should provide.

"b. A statement by the Deputy Director (Plans) that the project has not been submitted to the Deputy Director (Support) and the reasons therefor.

3. In any case in which a blanket waiver is granted, it should be considered as subject to the following conditions unless specifically excepted therefrom:

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"a. The Deputy Director (Plans), or any designee of his made responsible for funds under a project with a blanket waiver shall maintain, within the limits of operational security, records sufficient to permit an audit of accounts should such an audit at any future time be required; and

"b. Any qualifications submitted by the Deputy Director (Support), and approved by me, shall be complied with."

3. In actual practice this memorandum has been quite ineffective and projects have continued to be submitted and acted on by the Director without coordination with the DD/S. In those instances where projects have been coordinated with the DD/S, and the advice and assistance of the Comptroller have been obtained in establishing accounting controls, our problems have been minimal. On the other hand, when a waiver to normal accounting procedures is granted and the Comptroller is bypassed, experience has shown that the control, maintenance, and recording of documentation in support of expenditures and obligations are usually inadequate. Such was the case with Project [REDACTED] which was approved under the following conditions:

"b. Expenditures, within the above amount, may be written off to expense on the basis of deposits and certification of the Chief, FE Division, that such funds have been expended for the authorized purpose of the project.

"c. A Single Substantive file, to reflect the detail of such expenditures, will be maintained in Headquarters by the FE Division and available upon 'Eyes Only' basis, at the discretion of the Deputy Director (Plans) and/or the Chief, FE Division."

The audit of this project covering the period 1 November 1957 to 31 May 1961 revealed that adequate detail was not available to support a substantial amount of expenditures, and such documentation as was available was not maintained within a single substantive file.

4. The FE Division in its memorandum of 25 September 1961 to the Chief, Audit Staff indicates that it will in the future take advantage of DD/S technical advice and assistance and minimize the possibility of a recurrence of this unsatisfactory situation found with Project [REDACTED]. However, this is only a partial solution to the problem and I anticipate that we will continue to find other unsatisfactory situations until we not only permit but, in fact, require the Comptroller to perform those duties with which he is charged by Agency Regulations [REDACTED]. It is my view that the Comptroller can within any reasonable security restrictions perform these required duties. If you agree with this principle, I will take necessary steps to prepare a procedural paper for your consideration.

Distribution:

Orig & 1 - Addressee

1 - C/Audit Staff

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1 - Plans - Compt.

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Deputy Director (Support)

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